

For Immediate Release
August 15, 2005

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TRS BOARD ACTION SUMMARY

The Board of Trustees of the Teachers' Retirement System of the State of Illinois took the following actions at a meeting held August 11 and 12 in Chicago.

- Hired Jarislowsky, Frasier, Ltd., and McKinley Capital Management to manage international growth equity mandates of \$450 million each. The source of funds will be the terminated Artisan Partners and Capital Guardian international equity mandates.
- Learned that preliminary performance reports place the fund in the top 20 percent of large public funds for the one-, three-, five-, and ten-year periods ended June 30, 2005 as well as for the most recent quarter.

The fund earned 11 percent on its investments for the year ended June 30, 2005, ranking in the 15th percentile in the Callan Large Public Funds Universe. The fund was in the 17th percentile for the three-year period and in the 8th percentile for the five-years ended June 30, 2005.

Private equity was the best performing asset class, returning 20.2 percent. Real estate followed in a virtual tie at 20.1 percent.

- Approved the real estate tactical plan that calls for continued investment to achieve a 12 percent allocation to the asset class. Current exposure is approximately 11 percent and does not include funds previously committed but not yet called. No new commitments are planned in the near future.

- Made the following private equity commitments. The primary source of funds will be cash flow:
 - Committed \$150 million to the Apollo Investment Fund VI, a buyout fund.
 - Committed \$100 million to Warburg Pincus Private Equity IX, a multi-stage venture capital fund.
 - Committed \$60 million to Welsh, Carson, Anderson & Stowe X, L.P., a buyout fund.
- Approved in principle several changes in the Investment Policy governing private markets. The changes ban third-party payments, except for marketing fees paid to legitimate third-party professional marketing organizations and investment bank placement divisions. Any fees permitted under the exemption will be disclosed in public documents prior to any commitment. The board will require that all partnership documents be completed and legal approval be obtained prior to seeking approval from the board. The changes will take effect immediately and will be formally incorporated into the Investment Policy at the board's next meeting.
- Terminated Artisan Partners, which managed a \$434 million international equity mandate, for performance reasons.
- Placed the following firms on the watch list:
 - Bear Stearns, which manages a \$747 million large cap value mandate, was placed on watch for organizational and performance reasons. The firm recently was issued a Wells notice relating to its securities group.
 - Holland Capital Management, which manages a \$306 million large cap growth mandate, was placed on watch for performance reasons.

- LM Capital, which manages a \$189 million fixed income portfolio, was placed on watch for performance reasons.
- Maintained the watch list status of the following firms:
 - Boston Partners, which manages a \$757 million domestic large cap value mandate, remains on the watch list for performance reasons.
 - Delaware Investment Advisors, which manages a \$537 million small/mid-cap domestic equity mandate, remains on the watch list for performance and organizational reasons.
 - INVESCO Global Asset Management, which manages an \$845 million international equity assignment, remains on the watch list for performance reasons.
 - J & W Seligman, which manages a \$274 million small-mid cap domestic equity growth mandate, remains on the watch list for performance reasons.
 - Northern Trust Investments, which manages a total of \$1.0 billion in four passive (index) funds, remains on the watch list for organizational reasons. Performance since placement on the watch list has exceeded applicable benchmarks.
- Withdrew a \$10 million commitment to FORS Capital Partners, L.P. due to personnel changes.

TRS is the retirement system for public school teachers and administrators employed in all Illinois public schools except the city of Chicago. It serves over 325,000 members and annuitants and had assets of \$34 billion at June 30, 2005.

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